

**NOTICE OF PUBLIC HEARINGS**

IN THE MATTER OF THE APPLICATION OF  
MAUI ELECTRIC COMPANY, LIMITED  
FOR APPROVAL OF RATE INCREASES AND  
REVISED RATE SCHEDULES

**Docket No. 2006-0387**

THE PUBLIC UTILITIES COMMISSION ("Commission") of the STATE OF HAWAII hereby gives NOTICE that it will hold public hearings, pursuant to chapters 91 and 269, Hawaii Revised Statutes ("HRS"), regarding the application of MAUI ELECTRIC COMPANY, LIMITED ("MECO"), filed on February 23, 2007, for Commission approval of rate increases and revised rate schedules ("Application"). The public hearings will be held as follows:

**MOLOKAI**

Tuesday, April 24, 2007, 6:00 P.M.  
Mitchell Pauole Center, Conference Room  
90 Ainoa Street  
Kaunakakai, Molokai, HI 96748

**MAUI**

Wednesday, April 25, 2007, 6:00 P.M.  
Lihikai School Cafeteria  
335 S. Papa Avenue  
Kahului, Maui, HI 96732

**LANAI**

Thursday, April 26, 2007, 6:00 P.M.  
Lanai High & Elementary School Cafeteria  
555 Fraser Avenue  
Lanai City, Lanai, HI 96763

MECO is an operating public utility engaged in the production, purchase, transmission, distribution, and sale of electricity on the island of Maui; the production, transmission, distribution, and sale of electricity on the island of Molokai; and the

production, distribution, and sale of electricity on the island of Lanai through its three divisions. In its Application, MECO is seeking Commission approval of a general rate increase totaling approximately \$18,977,000, or about 5.3%, over revenues at present rates. MECO's overall requested increase is based on estimated total revenue requirements of approximately \$376,285,000 for the normalized 2007 calendar test year ("Test Year") (based on September 1, 2006 fuel oil prices and an 8.98% rate of return on MECO's average rate base, including a return on common equity of 11.25%). Specifically, by divisions, MECO's Maui Division is requesting a revenue increase of approximately \$17,757,000, or about 5.3%, over revenues at present rates for the Test Year; MECO's Lanai Division is seeking a revenue increase of approximately \$539,000, or about 5.3%, over revenues at present rates for the Test Year; and MECO's Molokai Division is seeking a revenue increase of approximately \$681,000, or about 5.3%, over revenues at present rates of the Test Year.

MECO's present rates were approved by the Commission in its decision issued on April 6, 1999, in Docket No. 97-0346. MECO states that it filed this Application due in part to its investment in Maalaea Unit M18 which went into service in October 2006 and Unit M19 which went into service in September 2000. MECO also contends that rate relief is required due to additional investment in plant and equipment, increasing costs for labor, materials, contract services, depreciation, and other operating expenses, and its increased cost of capital. Without rate relief, MECO estimates that its rate of return on its average rate base will be approximately 6.24% for the normalized 2007 calendar test year, as compared to the 8.83% authorized by the Commission in 1999 in Docket No. 97-0346.

MECO requests that the general rate increase and the revisions to its rate schedules be granted in steps, as follows:

1. Interim Increase: An interim increase in rates equal to which the Commission determines MECO is "probably entitled" based on the evidentiary record before it, in accordance with HRS § 269-16(d); and

2. Final Increase: A general rate increase upon the Commission's issuance of its final decision and order that provides for the amount of the total requested revenue increase that was not included in the interim rate increase.

MECO also requests that the rate design changes requested in its Application be implemented when the final increase is implemented and further requests that the interim increase implemented prior to the final step be structured as surcharges for the various classes based on a percentage of the customer's base charges (i.e., exclusive of Energy Cost Adjustment charges and other surcharges). The following illustrates MECO's proposed revenue increases over present rates, in dollar amounts and percentages, by divisions and rate classes.

**Maui Division**

Rate Class	Revenues At Present Rates (\$000s)	Revenues At Proposed Rates (\$000s)	Proposed Increase Amount (\$000s)	Percent
Schedule R	\$121,916.2	\$128,342.8	\$ 6,426.6	5.27%
Schedule G	29,812.9	31,384.4	1,571.5	5.27%
Schedule J	75,029.6	78,984.6	3,955.0	5.27%
Schedule H	5,909.6	6,221.1	311.5	5.27%
Schedule P	98,985.7	104,203.5	5,217.8	5.27%
Schedule F	1,421.2	1,496.1	74.9	5.27%
Total Sales	\$333,075.2	\$350,632.5	\$17,557.3	5.27%
Other Operating	1,389.0	1,589.0	200.0	14.40%
<b>Total</b>	<b>\$334,464.2</b>	<b>\$352,221.5</b>	<b>\$17,757.3</b>	<b>5.31%</b>

**Lanai Division**

Rate Class	Revenues At Present Rates (\$000s)	Revenues At Proposed Rates (\$000s)	Proposed Increase Amount (\$000s)	Percent
Schedule R	\$ 2,731.6	\$ 2,875.6	\$ 144.0	5.27%
Schedule G	725.2	763.4	38.2	5.27%
Schedule J	2,253.8	2,372.6	118.8	5.27%
Schedule H	180.5	190.0	9.5	5.26%
Schedule P	4,138.7	4,356.9	218.2	5.27%
Schedule F	36.9	38.8	1.9	5.15%
Total Sales	\$ 10,066.7	\$ 10,597.3	\$ 530.6	5.27%
Other Operating	37.9	46.9	9.0	23.75%
<b>Total</b>	<b>\$ 10,104.6</b>	<b>\$ 10,644.2</b>	<b>\$ 539.6</b>	<b>5.34%</b>

**Molokai Division**

Rate Class	Revenues At Present Rates (\$000s)	Revenues At Proposed Rates (\$000s)	Proposed Increase Amount (\$000s)	Percent
Schedule R	\$ 4,556.7	\$ 4,796.9	\$ 240.2	5.27%
Schedule G	1,703.7	1,793.5	89.8	5.27%
Schedule J	2,831.8	2,981.1	149.3	5.27%
Schedule H	643.4	677.3	33.9	5.27%
Schedule P	2,734.9	2,879.1	144.2	5.27%
Schedule F	160.9	169.4	8.5	5.28%
Total Sales	\$ 12,631.4	\$ 13,297.3	\$ 665.9	5.27%
Other Operating	107.1	122.1	15.0	14.01%
<b>Total</b>	<b>\$ 12,738.5</b>	<b>\$ 13,419.4</b>	<b>\$ 680.9</b>	<b>5.35%</b>

**MECO Total:   \$357,307.3           \$376,285.1           \$18,977.8       5.31%**

The actual increase amounts for each division and each rate schedule may be different from the proposed amounts, as a result of the Commission's decision with respect to the allocation of the increase to the divisions and among the various rate schedules. The increase experienced by a particular customer will depend on the customer's schedule of service, and other factors, such as the customer's energy use and the customer's billing demand, where applicable.

Aside from the proposed revisions to its rate schedules, as described above, MECO is also requesting to establish an inclining rate block structure for residential customers, discontinue its Rider EV-R and Rider EV-C, add certain new schedules (TOU-R, TOU-G, TOU-J and TOU-P) and amend MECO's Rules 7 and 8. With regards to its rules, MECO's proposed Rule 7 increases the Service Establishment Charge from \$15.00 to \$25.00 and increases the same day service connection charge from \$10.00 to \$20.00; and for Rule 8, MECO proposes to change the "Returned Check Charge" to a "Returned Payment Charge" and increases the current charge from \$10.00 to \$25.00 per returned check or returned payment, and increases the Field Collection Charge from \$15.00 to \$25.00 per field collection call.

The foregoing is a brief summary of MECO's request. For complete details please refer to MECO's Application, which is available at the locations listed below.

The Commission will investigate and determine whether the proposed revenue increases, changes in rate schedules and rules, and other matters requested or proposed by MECO are just and reasonable. The Commission will hold an evidentiary hearing sometime after the conclusion of the public hearings unless MECO and the other applicable parties to this proceeding, at their option and upon the Commission's approval, waive the evidentiary hearing. The total revenue increase for the Test Year will not exceed the \$18,977,000 over revenues at present rates requested by MECO in its Application. However, the increases in certain rates and charges finally approved by the Commission, if any, may be higher or lower than the proposed rates and charges for the various schedules of service.

All interested persons are urged to attend the public hearings to state their views orally, in writing, or both. Written statements may be submitted prior to or at the public hearings. Statements may be submitted to the Public Utilities Commission, 465 South King Street, Room No. 103, Honolulu, Hawaii, 96813 via postal mail or personal delivery. Statements can also be submitted to the Commission through e-mail at [Hawaii.PUC@hawaii.gov](mailto:Hawaii.PUC@hawaii.gov). All written statements should reference Docket No. 2006-0387 and include the following information: (1) name of the person submitting the written statement; (2) organization representing (if any); and (3) address of the person submitting the written statement.

Motions to intervene or participate in this proceeding must comply with Subchapter 4, *Rules of Practice and Procedure Before the Public Utilities Commission*, Hawaii Administrative Rules, Title 6, Chapter 61. A motion to intervene or participate in this proceeding must be filed with the Commission's Honolulu Office by **Monday, May 7, 2007**.

Copies of MECO's Application and supporting documents are available for public inspection during regular business hours at the following locations:

1. PUBLIC UTILITIES COMMISSION  
465 South King Street, Room 103  
Honolulu, Hawaii 96813  
Phone: (808) 586-2020
2. PUBLIC UTILITIES COMMISSION  
MAUI DISTRICT OFFICE  
State Office Building #1  
54 S. High Street, Room 218  
Wailuku, Hawaii 96793  
Phone: (808) 984-8182

3. DEPARTMENT OF COMMERCE & CONSUMER AFFAIRS  
DIVISION OF CONSUMER ADVOCACY  
335 Merchant Street, Room 326  
Honolulu, Hawaii 96813  
Phone: (808) 586-2800
4. MAUI ELECTRIC COMPANY, LIMITED  
210 West Kamehameha Avenue  
Kahului, Hawaii 96732  
Phone: (808) 871-2300
5. MAUI ELECTRIC COMPANY, LIMITED  
32 Ulili Street  
Kaunakakai, Hawaii 96748  
Phone: (877) 871-8461
6. LANAI PUBLIC & SCHOOL LIBRARY  
555 Fraser Avenue  
Lanai City, Hawaii 96763  
Phone: (808) 565-7920

Special arrangements to accommodate persons with disabilities can be made if requested reasonably in advance of the public hearings by contacting the Commission's Honolulu Office, see above.



Carlito P. Caliboso  
Chairman

Honolulu Star Bulletin  
Hawaii-Tribune-Herald  
West Hawaii Today  
The Maui News  
The Garden Island  
**April 2, 10, 17 and 24, 2007**